

Message Text

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SUBJECT: CLIMATE FOR FOREIGN PRIVATE DIRECT INVESTMENT IN ZAIRE

REFS: A. STATE A1975, B. STATE 53993, C. STATE 86372,
D. KINSHASA 4293

1. FOLLOWING IS A STATEMENT ON THE INVESTMENT CLIMATE
IN ZAIRE. INVESTMENT FIGURES WILL BE FORWARDED ASAP.

2. INCENTIVES TO THE FOREIGN INVESTOR. THE INVESTMENT
CODE OF 1969 OFFERS MANY BENEFITS TO THE FOREIGN
INVESTOR INCLUDING EXEMPTION FROM CUSTOMS DUTY ON
IMPORTED CAPITAL GOODS, AND EXEMPTIONS FOR UP TO
FIVE YEARS FROM PAYMENT OF CORPORATE INCOME TAXES,
REAL ESTATE TAXES AND PAYROLL TAXES. THE CODE
GUARANTEES THE RIGHT TO REPATRIATE CAPITAL AND PROFITS
AND, ALTHOUGH THE CODE CONTAINS NO SPECIFIC GUARANTEE
AGAINST EXPROPRIATION, IT DOES PROVIDE THAT ADEQUATE
COMPENSATION WILL BE PAID. ADDITIONAL BENEFITS NOT
COVERED IN THE CODE MAY BE NEGOTIATED, SUCH AS PRO-
TECTION FROM COMPETITIVE IMPORTS AS SOON AS PRODUCTION
IS DEEMED SATISFACTORY BY THE GOVERNMENT IN TERMS OF
QUANTITY AND QUALITY, AND THE RIGHT TO ADJUST SELLING
PRICES IN ACCORDANCE WITH AN AGREED-UPON FORMULA
(MOST LOCALLY MANUFACTURED PRODUCTS ARE SUBJECT TO
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PRICE CONTROL). HOWEVER, IN SOME CASES THE GOVERNMENT

HAS BEEN SLOW TO ACCEPT ITS OBLIGATIONS UNDER AGREEMENTS COVERING THESE ADDITIONAL BENEFITS, AND ALL UNDERSTANDINGS REACHED WITH THE GOVERNMENT SHOULD BE WELL-DEFINED, OPIC INSURANCE IS AVAILABLE TO AMERICAN INVESTORS FOR ALL THREE COVERAGES, AND IS HIGHLY RECOMMENDED.

3. ZAIRIANIZATION AND NATIONALIZATION. ON NOVEMBER 30, 1973, PRESIDENT MOBUTU ANNOUNCED THAT THE GOVERNMENT INTENDED TO IMPLEMENT EARLIER LEGISLATION WHICH PROVIDED FOR INCREASING ZAIRIAN PRIVATE AND GOVERNMENT INVOLVEMENT IN THE ECONOMY, ESPECIALLY IN THE COMMERCIAL, MINERAL AND AGRICULTURAL SECTORS. MOST FOREIGN-OWNED IMPORTING, WHOLESALING AND RETAILING FIRMS WERE DISTRIBUTED TO ZAIRIANS WITH THE UNDERSTANDING THAT THE FORMER OWNERS WOULD RECEIVE TEN PERCENT OF THE VALUE OF THE INVESTMENT EACH YEAR FOR TEN YEARS, PROVIDING THAT THE ENTERPRISE REMAINS PROFITABLE. GOVERNMENT POLICY NOW PROVIDES FOR 50 PERCENT GOVERNMENT OWNERSHIP IN MINING VENTURES EXCEPT WHERE EXONERATIONS HAVE BEEN GRANTED. HOW THIS POLICY WILL OPERATE AND WHETHER OR NOT THE GOVERNMENT INTENDS TO PAY FOR ITS PARTICIPATION HAS NOT YET BEEN DETERMINED. ZAIRIANIZATION AND NATIONALIZATION HAVE ALSO TAKEN PLACE IN THE AGRICULTURE, FORESTRY, CONSTRUCTION, INSURANCE AND SHIPPING SECTORS. GENERALLY SPEAKING, AMERICAN-OWNED INVESTMENTS HAVE NOT BEEN DIRECTLY AFFECTED BY ZAIRIANIZATION OR NATIONALIZATION. GOVERNMENT PRACTICE HAS BEEN TO EXCLUDE, WITH MINOR EXCEPTIONS, INVESTMENTS THAT WERE MADE UNDER THE TERMS OF THE INVESTMENT CODE, AS WELL AS ALL MANUFACTURING ENTERPRISES. THIS COVERS THE MAJOR AMERICAN INVESTMENTS, AND ALL OTHER AMERICAN INVESTMENTS WERE EXONERATED WITH THE EXCEPTION OF GAS AND OIL DISTRIBUTION COMPANIES. THESE WERE NATIONALIZED AND INCORPORATED INTO A NEW GOVERNMENT ORGANIZATION CALLED PETROZAIRE. DISCUSSIONS BETWEEN THE GOVERNMENT AND THE OIL COMPANIES ARE TAKING PLACE CONCERNING COMPENSATION AND THE POSSIBLE CONTINUATION OF SOME COMPANY OPERATIONS.

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4. THE FUTURE FOR AMERICAN INVESTMENTS. THE GOVERNMENT OF ZAIRE CONTINUES TO RECOGNIZE THE CONTRIBUTION THAT FOREIGN PRIVATE DIRECT INVESTMENT CAN MAKE TO ITS FUTURE DEVELOPMENT. LIBERAL BENEFITS CAN BE EXPECTED FOR INVESTMENTS IN HIGH-TECHNOLOGY AREAS, MANUFACTURING, AND INDUSTRIES WHICH WOULD PROVIDE ADDED VALUE TO MINERAL AND OTHER RAW MATERIAL EXPORTS. PRESIDENT MOBUTU RECENTLY POINTED OUT AN ESPECIALLY

PROMISING AREA FOR FOREIGN INVESTMENT. HE ANNOUNCED THAT INVESTORS WISHING TO TAKE ADVANTAGE OF THE BENEFITS WHICH WILL BECOME AVAILABLE IN BAS ZAIRE IN THE NEXT FEW YEARS (LARGE QUANTITIES OF CHEAP ELECTRIC POWER AND CONVENIENT ACCESS TO PORTS), WILL BE ACCORDED SPECIAL TREATMENT IN REGARD TO FINANCIAL, LEGAL, CUSTOMS AND FOREIGN EXCHANGE ARRANGEMENTS. INDUSTRIES WHICH WOULD BE PARTICULARLY SUITABLE INCLUDE ELECTRO-METALLURGICAL AND ELECTRO-CHEMICAL PLANTS.
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